

CITY OF KEOSAUQUA, IOWA
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

CITY OF KEOSAUQUA, IOWA

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CITY OF KEOSAUQUA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nasseem Hesler	Mayor	Jan 2018
Dave Atwood	Council Member	Jan 2016
Larry Shipley	Council Member	Jan 2018
Katie Nichols	Council Member	Jan 2018
Christopher Starke	Council Member	Jan 2016
Twyla Peacock	Council Member	Jan 2016
Linda Mott	Clerk/Treasurer	Appointed
John Morrissey	Attorney	Appointed

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Keosauqua, Iowa pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Keosauqua, Iowa for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Keosauqua, Iowa, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Keosauqua, Iowa, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Keosauqua, Iowa and other parties to whom the City of Keosauqua, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Keosauqua, Iowa during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa
March 20, 2014

DETAILED RECOMMENDATIONS

CITY OF KEOSAUQUA, IOWA

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

- B. Journal Entries - No separate file of adjusting journal entries is maintained by the City, so we were unable to test them. Also there is no evidence of independent authorization maintained for journal entries that are made.

Recommendation – We recommend that the City keep a file of all journal entries made by accounting personnel and that periodically the Mayor or a Council member should review these entries for propriety.

- C. Bank Reconciliations – There is no independent review of the bank reconciliations prepared by accounting personnel.

Recommendation – We recommend that periodically, the Mayor or another member of the City Council review the bank reconciliations for propriety.

- D. Bank Images – Currently, the City does not receive bank images of both the front and back of the items clearing the City bank accounts. Only images of the front of the checks are currently received from the bank.

Recommendation – We recommend that the City should request that the images received from the Bank's include both the front and back of each bank item.

- E. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keosauqua Municipal Light and Power, Component Unit of the City of Keosauqua, Iowa	Electrical service	\$ 19,091

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with the component unit does not represent a conflict of interest since it was entered into to provide essential City utility services.